

Microsoft, Samsung expand smartphone partnership (Update)

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(AP) -- Microsoft and Samsung Electronics have agreed to cross-license one another's patent portfolios, with Microsoft getting royalties for the mobile phones and tablets Samsung sells that run Google Inc.'s Android operating system.

Microsoft Corp. and Samsung Electronics Co. said Wednesday that they also will work together to develop and market Microsoft's Windows Phone software, which is likely to increase exposure for the Windows Phone.

It's the seventh deal Microsoft has signed in the past three months with hardware makers that use Android for their smartphones and tablets, according to Brad Smith and Horacio Gutierrez, Microsoft's general counsel and deputy general counsel, who made the comment in a blog post. Other hardware makers it's working with include Acer and Onkyo, and a year and a half ago Microsoft signed a similar deal with HTC - all without filing lawsuits.

Financial terms were not disclosed, though Evercore Partners analyst Kirk Materne said Microsoft probably will get a "fairly low" amount per phone. More importantly, he said, the Redmond, Wash., company is bolstering its relationships with phone manufacturers so it has an advantage when it comes out with its own operating system.

Research firm IDC says Samsung was the No. 2 smartphone maker in the world in the second quarter, behind Apple Inc. Samsung's Galaxy

phones, which propelled it to No. 2 from No. 4 in the smartphone market, run on Android.

Microsoft is scrambling to build a mobile version of Windows that will be more widely embraced in the smartphone market, where its operating system has fallen behind Android and Apple Inc.'s iPhone operating system.

For Samsung, Materne said the deal likely signals a recognition that, once Google bought Motorola Mobility Holdings Inc., a key competitor for Samsung, diversifying what operating systems Samsung phones run could only be a positive.

"The deal helps cover their bases," Materne said.

Together, HTC and Samsung "accounted for more than half of all Android phones sold in the U.S. over the past year," Smith and Gutierrez wrote.

"That leaves Motorola Mobility, with which Microsoft is currently in litigation, as the only major Android smartphone manufacturer in the U.S. without a (Microsoft) license."

A representative for Google could not immediately be reached for comment on Wednesday.

Shares of Microsoft rose 36 cents to \$26.03 in midday trading.

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